

**Summary of CIA's Presentation on Proportion of
Defense Expenditure Spent on Conventional Armaments**

Our purpose in desiring the opportunity to present our method and results in this field, to the Conference, is to permit our different approaches to some of the problems to be examined for consistency, and any differences explored.

The substantive material that will be presented to this end is the work of OIA and is not necessarily the coordinated position of the U.S. intelligence community. It is based on materials prepared last year in support of NSC 11-4-57; the work of the current year is, unfortunately, still continuing and only some tentative results are available.

In order to provide a context for discussion of specific estimates and the methodology relevant to them, some estimated aggregated outlays will be presented. The absolute level of total outlays for military purposes and how the trend of this series compares with that of the announced budgetary series, a breakdown of the total series into several major categories, and the share of the total that our immediate interest — outlays for conventional armaments — represents will all be used for the stated purpose. (Possible departures of the estimates now in process will be noted.)

In order, these will show the previously estimated level of 170 billion to 180 billion 1955 rubles annually for the period 1955-58; the striking similarity over the period 1950-58 of the budget line and estimated total outlays; the growth of the share of outlays devoted to major programs — now some one-half of total outlays — and the declining proportion devoted to personnel, etc; and the generally increasing share that procurement represents of this total, rising from roughly 15 to 20 per cent prior to 1950 to about 30 per cent at present. (See the attached graphs.)

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The presentation of our methodology will treat the several major types of conventional armaments as to the means and data employed to value, in rubles, the underlying physical estimates. The emphasis will be on land armaments, but to the extent that modifications or departures in technique were necessitated for other armaments these, too will be considered.

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Rather than present this type of material in an exhaustive fashion -- given the primary orientation of the conference -- the presentation will be rather general in nature. Specific prices, however, will be mentioned, as will the price indexes used, the fact that productivity gains were accounted for and how, the type of analogs used (when they were), etc. It is thought that extended discussion of the details can be left to the discretion of the other participants: should their interest, as evidenced by questions, indicate a desire for further discussion we most certainly would carry the discussion as far as they choose.

Finally, we anticipate closing our presentation by a consideration of the announced Soviet budgetary allocation Defense. We will present our estimates of those expenditures known to be financed through this allocation and the balance available for other programs and activities. Briefly, our estimates of the outlays for personnel and operations and maintenance are of a magnitude that precludes all outlays for procurement, as estimated, from being financed through this allocation.

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